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9/18/51
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ARIZONA ATTORNEY GENERAL

September 6, 1951
Op. No. 51-238

Mr. Wes Polley
County Attorney
Cochise County Courthouse
Bisbee, Arizona

Dear Sir:

In your letter of July 10 you requested an opinion as to the status of Iowa Mutual Insurance Company and Iowa Mutual Casualty Company, stating that the Superintendent of Benson Schools requests the opinion in connection with insurance contracts with these Companies for fire insurance on buildings and liability, collision and fire and theft insurance on school busses. We thereafter requested that you send us a copy of the proposed policy and in your letter of August 29 you enclose a copy of the Iowa Mutual Casualty policy and state that our opinion on the one company will be sufficient.

In your letter of July 10 you refer to our opinion No. 51-101. We note that in that opinion one of the provisions with which we were concerned was whether or not the liability of the member policyholders is limited to one annual premium or whether the policyholders could be subject to assessments over and above that amount. We discussed also in that opinion the propriety of the purchase of insurance by school districts. Therefore, we will limit this opinion simply to the question of whether or not the Iowa Mutual Casualty Company is qualified to do business in Arizona and is in good standing and whether or not its policy provisions are acceptable.

This company was admitted to do business on October 5, 1949, and has complied with the law insofar as we have been able to determine and is now in good standing. Section IV of the bylaws of the company provide:

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"The maximum liability of a member in this company shall be a further sum of not less than one year's premium on each policyholder."

It appears that there is no provision in the articles of incorporation or the bylaws authorizing or permitting levying of any assessment so the above provision of the bylaws would seem to be superfluous. In short, it appears that in actual operation the company is not a mutual company. On the policy form which you enclose we note that paragraph 23 provides that the insured shall not be liable for any assessment under the policy. Thus, we are of the opinion that purchase of the policy would not involve the school district in any contract for possible future assessments, which contract would be illegal. All of the other provisions of the policy are apparently standard form and are acceptable.

It is therefore our opinion that the school district may legally do business with the Iowa Mutual Casualty Company on this policy.

Very truly yours,

FRED O. WILSON
Attorney General

CHARLES C. STIDHAM
Assistant Attorney General

CCS:wn

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